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From: Galarneau@mimilk.com
Sent: Monday, October 02, 2006 4:54 PM
To: amsdairycomments
Subject: Sept. 14 Hearing Brief
Attachments: ATTACHMENT.TXT

October 2, 2006

Office of the Hearing Clerk
USDA
1400 Independence Ave., S. W.
Washington, D.C., 20250

Email: amsdairycomments@usda.gov

Re: Comments Regarding the Reconvened Hearing on Proposed Amendments to Tentative Marketing Agreements and Orders, September 14 and 15, 2006

Docket No. AO-14-A74, et. al.

Dear Sir or Madam:

Michigan Milk Producers Association (MMPA) has reviewed the testimony of the various participants attending the public hearing reconvened on September 14, in Strongsville, Ohio, regarding recommended changes to the Class III and IV pricing formulas and we would like to add the following comments for your consideration:

We support the National Milk Producers Federation testimony. We are a member of the National Milk Producers Federation (NMPF) and we fully support the position they presented at the hearing regarding the need for the make allowance to have an energy component that would be adjusted on a monthly basis to accommodate fluctuations in fuel costs.

We support the Agri-Mark Dairy Cooperative testimony to increase the make allowances for the Class III and Class IV Pricing Formulas. The pricing formulas for butter, powder, cheese and whey need to be adjusted based upon the updated information obtained from the most recent Rural Business Cooperative Service (RBCS) survey and the California Department of Food and Agriculture annual survey of plant costs. We agree with the need to update the 2004 survey information for the fuel and electricity cost increases experienced in 2005. Our plants experienced cost per pound of increases for butter and powder production that were similar to the values proposed by Agri-Mark and we are satisfied with the rationale and values for the fuel and electricity submitted by Agri-Mark.

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The testimony provided by Dr. Stephenson regarding nonfat dry milk and butter production costs provided evidence of the difficulty many balancing plants are experiencing with the current make allowances. He noted half of the participants that produce nonfat dry milk have costs greater than the current make allowance and three out of the four butter plants surveyed had costs greater than the current make allowance. Unfortunately, our operations in Michigan also have costs for producing nonfat dry milk and butter that are greater than the current make allowances.

Dr. Stephenson noted that only one of the participants of the nonfat dry milk survey had received a copy of the cost information compiled for their specific plant. Upon reviewing the information with the participant, Dr. Stephenson adjusted the simple average and weighted average calculation of the production costs for the nonfat survey sample as noted in Footnote #8 of his testimony. We believe that more adjustments will be necessary after the other participants have had a chance to review their own data.

Dr. Stephenson's testimony indicated he had used a newly developed computer program for the data collection instead of printed forms as used in previous surveys. We believe that some of the participants of the survey may have had difficulty using the new computer program and that the resulting information may not have captured the true manufacturing cost as intended. Dr. Stephenson also indicated during cross examination that "It is possible" that the cost allocation of the butter plant results used in the survey might also need adjustment. We believe that it would be inappropriate to incorporate the data supplied by Dr. Stephenson in the determination of the butter and powder make allowances formulas before it has been thoroughly reviewed by the participants for accuracy. It is unfortunate that there was not adequate time to perform this task.

We believe that the RBCS study, which has been performed using a consistent process for several years, has generated results for butter and powder production costs that more accurately represent industry experience.

We urge the department to revise the make allowances as recommended by Agri-Mark and NMPF and provide an emergency decision as expeditiously as possible.

MMPA supports the proposal of NMPF regarding the separation of the Class I and II milk prices from the effects of the make allowance adjustments. Although this proposal was not allowed to be entered during the hearing, we would be supportive of a separate hearing to consider this issue.

These comments are submitted on behalf of the Michigan Milk Producers Association which is a member owned and operated dairy cooperative serving over 2,400 dairy farmer members in Michigan, Ohio, Indiana and Wisconsin. Thank you for considering our comments.

Sincerely,

Clayton Galarneau
Director, Manufactured Sales and Operations

10/3/2006